

### **Accountability Report Transmittal Form**

Agency Name	<u>South Carolina Transportation Infrastructure Bank</u>
Date of Submission	<u>September 14, 2006</u>
Agency Director	<u>Donald D. Leonard, Chairman</u>
Agency Contact Person	<u>Debra R. Rountree</u>
Agency Contact's Telephone Number	<u>(803) 737-1243</u>

**South Carolina Transportation Infrastructure Bank  
Annual Accountability Report  
Fiscal Year 2005-2006**

**Section I- Executive Summary**

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**Description of the Transportation Infrastructure Bank:**

The General Assembly of the State during its 1997 session enacted Act No. 148 which created the South Carolina Transportation Infrastructure Bank (Bank) to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes.

**Mission and Values**

The mission of the Bank is to utilize available funding sources to effectively provide financial assistance through authorized means to major qualified transportation projects while ensuring the financial integrity of the Bank.

Values – Ensure projects selected for financial assistance provide public benefit in one or more of the following areas:

Enhancement of mobility and safety  
Promotion of economic development  
Increase in the quality of life and general welfare of the public

**Major Achievements From the Past Year**

The Bank has been recognized nationwide for its effectiveness in providing funding solutions for over \$4 billion in projects and for its expediency in approving the funding which results in accelerated project construction. Since approval of the first project in 1998, the Bank has expended almost \$2.4 billion for major transportation projects. Many of the projects are complete, such as the Cooper River Bridge in Charleston County, the Conway Bypass and Carolina Bays Parkway in Horry County and Phase I of the Palmetto Parkway in Aiken County and other major projects are under construction.

In October 2005, the Bank issued \$221,045,000 in revenue refunding bonds at an interest rate of 3.98% which refunded \$228,600,000 in existing revenue bonds at interest rates ranging from 5.00% - 5.50% resulting in gross interest savings of approximately \$21 million. Total bonds issued by the Bank, net of refundings, are in excess of \$2 billion. The Bank has maintained its “A” credit rating for each bond issue.

In June 2005, legislation was enacted which provided new sources of revenues to the Bank. The sources will be phased-in over a three-year period producing additional annual revenues of approximately \$35 million after full phase-in. During fiscal year 2006, the Bank received \$14 million from these revenue sources. The refunding and additional revenues resulted in additional capacity for the Bank in the approximate amount of \$600 million to provide financial assistance to major transportation projects. During the year, the Bank approved financial assistance for projects in Aiken County, Charleston County, Florence County, Horry County, and York County and loans to SCDOT for demolition of the Cooper River Bridges and widening US 17 in Beaufort County.

### **Key Strategic Goals For Present And Future Years**

- Develop and maintain long-term business and financial plan.
- Issue bonds as necessary to ensure cash availability to meet project payouts and review existing debt for refunding opportunities.
- Consider additional qualified projects for financial assistance utilizing available capacity.

### **Opportunities and Barriers**

The Bank Act provided mechanisms, such as the issuance of revenue and general obligation bonds, for the Bank to provide financing for major transportation projects. The Act also provided sources of revenues to support revenue bonds. Since its inception in 1997, the Bank has taken maximum advantage of the funding mechanisms and has provided financial assistance to thirteen major transportation projects through the issuance of over \$2 billion in revenue and general obligation bonds and the use of other revenues of the Bank.

### **How the Accountability Report is Used to Improve Organizational Performance**

The Bank Board and contract staff members are cognizant of performance measures and their usefulness. As the Bank's mission is a single purpose, the measures of performance are limited. The Board and staff are constantly seeking to maximize funding for major transportation projects. The accountability report serves as a checkpoint to ensure the agency is achieving its goals each year.

## Section II – Organizational Profile

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### Organizational Structure

The Bank is governed by a seven-member board which makes policy decisions, approves projects for financing, and approves debt. The operations of the Bank are carried out by a working group which provides financial, accounting, administrative, and legal services.

### Board of Directors

The Bank's board of directors consists of seven voting members, including the chairman of the SCDOT Commission, ex officio; two directors appointed by the Governor, one of whom shall be chairman; one director appointed by the Speaker of the House of Representatives; one director who shall be a member of the House of Representatives appointed by the Speaker of the House of Representatives, ex officio; one director appointed by the President Pro Tempore of the Senate; and one director who shall be a member of the Senate appointed by the President Pro Tempore of the Senate, ex officio.

The members of the Bank Board of Directors as of June 30, 2006 are:

Donald D. Leonard Chairman	Appointed by the Governor of South Carolina
Tee Hooper	Chairman, South Carolina Department of Transportation Commission, ex officio
Ernest L. Duncan	Appointed by the Governor of South Carolina
Hugh K. Leatherman, Jr.	Member of the South Carolina Senate, appointed by the President Pro Tempore of the South Carolina Senate, ex officio
Richard L. Tapp Secretary	Appointed by the President Pro Tempore of the South Carolina Senate
Ronald P. Townsend Vice-Chairman	Member of the South Carolina House of Representatives, appointed by the Speaker of the South Carolina House of Representatives, ex officio
Maxson "Max" K. Metcalf	Appointed by the Speaker of the South Carolina House of Representatives

### **Key Customers**

Like the South Carolina Department of Transportation (SCDOT), the key customers of Bank are the motoring public of South Carolina. The Bank coordinates with the SCDOT to evaluate projects which have been submitted, principally by local governments, for financial assistance and enters into agreements whereby Bank provides and is reimbursed for project management services. The motoring public is the beneficiary of safety improvements and reduction in congestion on the state's highways.

### **Key Stakeholders**

Key stakeholders of the Bank include the local governments which participate with the Bank as applicants and major beneficiaries of the major transportation improvements funded by the Bank. These transportation improvements enhance mobility and safety and promote economic development in the local areas and throughout the state.

### **Key Suppliers**

The Bank has few suppliers. The primary expenditure of funds is to highway project contractors which are under contract with the SCDOT for design, construction, and other activities related to selected projects.

### **Employees/Operation Locations**

The Bank has no employees. The day-to-day administration, including preparation of and accounting for all financial transactions, is managed by the Director of Bank Operations, a SCDOT employee on loan to the Bank. The Bank office is located in the SCDOT Headquarters Building in Columbia. The Bank also has contracted with outside entities to provide financial management and advice and legal services.

## Expenditures/Appropriations Chart

### Base Budget Expenditures and Appropriations

	04-05 Actual Expenditures		05-06 Actual Expenditures		06-07 Appropriations Act	
<u>Major Budget Categories</u>	<b>Total Funds</b>	<b>General Funds</b>	<b>Total Funds</b>	<b>General Funds</b>	<b>Total Funds</b>	<b>General Funds</b>
Personal Service	\$0	\$	\$0	\$	\$0	\$
Other Operating	\$256,840	\$	\$314,689	\$	\$389,700	\$
Special Items	\$	\$	\$	\$	\$	\$
Permanent Improvements	\$57,091,343	\$	\$71,452,302	\$	\$62,000,000	\$
Case Services	\$	\$	\$	\$	\$	\$
Distributions to Subdivisions	\$	\$	\$	\$	\$	\$
Fringe Benefits	\$	\$	\$	\$	\$	\$
Non-recurring	\$	\$	\$	\$	\$	\$
<b>Total</b>	<b>\$57,348,183</b>	<b>\$</b>	<b>\$71,766,991</b>	<b>\$</b>	<b>\$62,389,700</b>	<b>\$</b>

### Other Expenditures

<b>Sources of Funds</b>	<b>04-05 Actual Expenditures</b>	<b>05-06 Actual Expenditures</b>
Supplemental Bills	\$	\$
Capital Reserve Funds	\$	\$
Bonds	\$234,300,781	\$131,680,693

## Major Program Areas Chart

### Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
01050000 Transportation Infrastructure	Provide funding for major transportation projects	State: Federal: Other: 57,091,343 Total: 57,091,343 % of Total Budget: 99.6%	State: Federal: Other: 71,452,302 Total: 71,452,302 % of Total Budget: 99.6%	Chart 7.1 Chart 7.2
<b>Below: List any programs not included above and show the remainder of expenditures by source of funds.</b>				
01010000 Administration				

Remainder of Expenditures	State:	State:
	Federal:	Federal:
	Other: 256,840	Other: 314,689
	Total: 256,840	Total: 314,689
	% of Total Budget: 0.4%	% of Total Budget: 0.4%

\* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

The chart above reflects expenditures from budgeted funds. In addition, the Bank expended \$131,680,693 from bond proceeds during FY05-06, bringing the total major program expenditure to \$203,447,684.

### Section III – Elements of Malcolm Baldrige Award Criteria

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#### Category 1: Leadership

The Board of the Bank provides leadership direction both short term and long term. Because the sole mission of the Bank is to provide financial assistance to major transportation projects, the principal direction of the Board is to maximize funding for qualified projects. The Board has developed an application evaluation process which provides guidance in selecting projects for funding. The Bank has a contract with a financial management firm for the purpose of developing and refining the short and long-term business and financial plans of the Bank.

#### Category 2: Strategic Planning

Strategic Planning and implementation is a continual process. Since its inception, the strategic objective of the Bank Board has been to maximize funding availability for major transportation projects. This is accomplished by using innovative financing methods; requiring match funding from local communities and others; encouraging recurring, non-tax repayment sources; ensuring payments due to the Bank are made in a timely manner and are meeting projections; and other initiatives and efforts to ensure an excellent credit rating for bond financing. These are constantly reviewed and monitored and the short-term and long-term financial plans of the Bank are reviewed frequently to determine funding availability for additional projects. In addition, the Bank constantly reviews outstanding debt for refinancing opportunities at lower interest rates. An additional related objective is the allocation of available funding capacity to applicants requesting financial assistance for major transportation projects.

#### Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 05-06 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
01050000 Transportation Infrastructure	Provide sufficient annual funding in order to complete projects on time and on budget	Review of all debt to determine if refinancing would achieve savings. Issue new revenue bonds as needed to fund projects.	Chart 7.1
01050000 Transportation Infrastructure	Provide financial assistance to qualified major transportation projects	Allocation of additional capacity to applicants for financial assistance	Chart 7.2

\* Key Cross-References are a link to the Category 7 - Business Results.

These References provide a Chart number that is included in the 7th section of this document.



### **Category 3: Customer Focus**

The key customers of Bank are the motoring public, both citizens of South Carolina and those who visit our state for business or pleasure. In addition, key customers would include local governments and businesses in the state which benefit from a well developed transportation system. To ensure the needs of the key customers are met, the criteria used to evaluate potential projects submitted for Bank funding assistance include promoting public benefits in one or more of the following areas: enhancement of mobility and safety; promotion of economic development; or, increase in the quality of life and general welfare of the public. These criteria are substantiated in the applications by inclusion of such information as traffic studies; resolutions from local governing bodies that the project is essential to economic development in their area; certificate that the project is essential to economic development in the state from the Advisory Coordinating Council for Economic Development of the Department of Commerce; local support of the project from residents through petitions or comments at public hearings; and resolutions from municipalities, county councils, advisory groups, Metropolitan Planning Organizations or Councils of Government.

### **Category 4: Measurement, Analysis, and Knowledge Management**

The performance measures which will be evaluated to determine whether the Bank is meeting expectations and short and long term goals include maintaining an “A” credit rating and maximizing amount of funding provided for major transportation projects.

### **Category 5: Human Resource Focus**

Because the Bank does not have any employees, this section does not apply.

### **Category 6: Process Management**

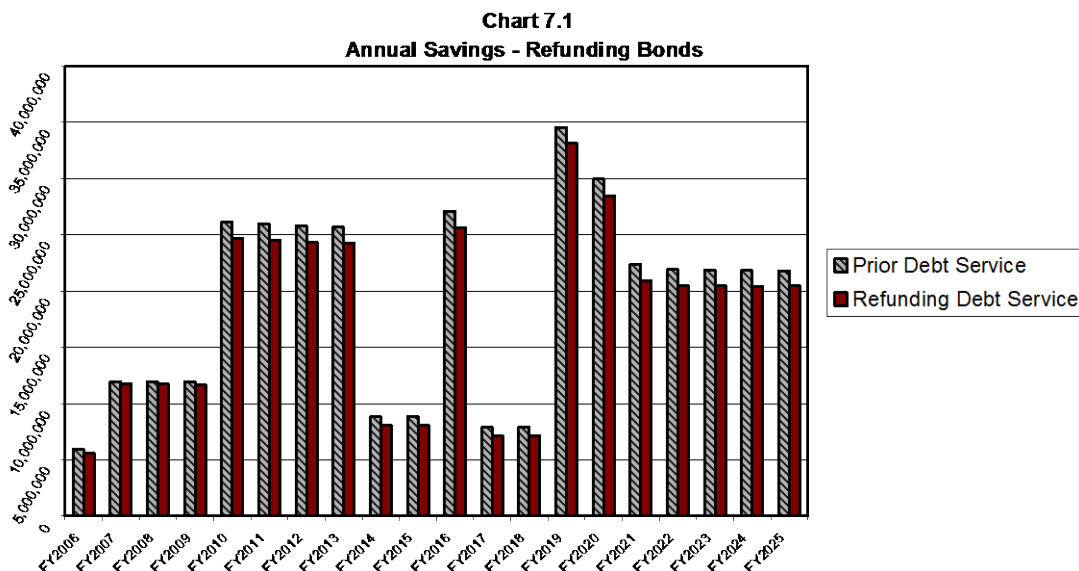
The processes related to the delivery of the services provided by the Bank are developed, managed and implemented by a group of key individuals who perform these functions on a day-to-day or as needed basis. This working group is comprised of the contract financial manager, a representative from the Office of State Treasurer, legal counsel, bond counsel, and the Director of Bank Operations. These persons, individually or collectively, review and update the business and financial plans of the Bank, develop funding mechanisms which create the most benefit to the Bank, determine timing of bond issues, prepare all documents related to the issuance of bonds, and manage the expenditure of all funds of the Bank. All actions of the working group are at the direction of the Board of the Bank and the Board takes action based on recommendations of the working group. The formal business plan of the Bank is updated periodically as needed based on input from the working group and is presented to the Bank Board for review when updated. The business plan sets forth expected capital outlays for all approved projects, estimates future revenue receipts, and provides a recommended plan for bond issuance, cash and other financing for all approved projects. The Bank Board annually adopts a budget based upon the recommendations set forth in the business plan.

### Category 7: Results

In the nine years since the creation of the Bank, with approximately \$100 million in annually recurring state revenues as provided in the Act, the Bank has provided financing to over \$4 billion in major transportation projects in South Carolina. The sources of funding which have contributed to the tremendous success of the Bank include a one-time contribution from the state General Fund surplus in FY1997 in the amount of \$66 million, truck registration fees in the average annual amount of \$60 million, and an annual contribution from SCDOT in the approximate amount of \$24 million, and beginning in FY2006, motor vehicle license fees in the amount of \$14 million. In addition, state agencies, local governments, and private entities have made substantial contributions towards the financing of the Bank projects. The flexibility provided in the Bank Act which allows the Bank to issue revenue bonds has played a significant role in the successful financing of the \$4 billion in major transportation projects.

Prior to providing a loan or other financial assistance to a qualified applicant, the Bank must obtain the review and approval of the South Carolina Joint Bond Review Committee (JBRC). JBRC must also approve bonding anticipated for funding the projects whether revenue or general obligation bonds, and the state Budget and Control Board must approve all general obligation bonds to be issued.

To date, the Bank has issued over \$2 billion in new revenue and general obligation bonds with interest rates ranging from 4.34% to 5.44%. These are excellent rates on revenue bonds given that the Bank has only been in existence since 1997. These rates reflect the strength of the Bank and the revenues which support the bond repayments. The low interest rates on the bonds are a result of the strong credit ratings of the Bank since it's first request for credit ratings in 1998. In fiscal year 2006, FITCH reaffirmed its "A" rating of the Bank and Moody's Investor Service reaffirmed its "A1" rating of the Bank. In fiscal year 2006, the Bank refunded a portion of the outstanding bonds at a lower interest rate resulting in savings of over \$21 million in interest costs over the life of the bonds. Table 7.1 reflects the annual savings generated by the refunding.



## **Projects Approved by the Bank and the JBRC**

The Bank is a funding entity that only provides loans and other financial assistance to approved projects pursuant to the Act. The Bank does not own, construct, manage the construction of, or maintain any of the projects it has approved for funding. The Bank has no financial obligation to fund any portion of any project other than that which is selected by action of the Bank Board, approved by the JBRC, and subject to a valid and enforceable intergovernmental agreement or loan agreement.

The Bank has approved and, as required by the Act, the JBRC has reviewed and approved, the following applications for loans and other financial assistance:

*Horry County RIDE I Project* - Total Horry County RIDE I Project costs are \$888,000,000. Funding for the Horry County RIDE I Project consists of a \$131 million contribution by the Bank (excluding financing costs), a \$114 million contribution by the SCDOT to the Bank for the project, a \$95 million interest bearing loan to the project by the Bank repaid by the SCDOT for the Conway Bypass, a \$300 million interest free loan repaid by Horry County, and a \$248 million interest bearing loan repaid by Horry County. Construction on the RIDE I roads has been completed and the roads are in operation.

*Horry County RIDE II Project* - Total approved Horry County RIDE II project costs are \$235 million. Funding consists of a \$221 million contribution by the Bank, an approximate \$2 million contribution by Horry County from Admissions Tax District revenues, and \$12 million in a loan to SCDOT. The majority of the RIDE II funds have been expended with road construction complete. The remaining funds will be expended on bridge construction.

*Beaufort County Project* - Total Beaufort County Project costs are estimated to be approximately \$115 million. Funding for the Beaufort County Project consists of a \$65 million contribution by the Bank, a \$30 million contribution by Beaufort County, a \$10 million contribution by the SCDOT and a \$10 million loan to SCDOT. The project is open to traffic.

*Cooper River Bridge Replacement Project* - The total Cooper River Bridge Replacement Project costs are \$650 million. Funding for the project consists of a \$540 million contribution by the Bank, a \$96.6 million contribution by the SCDOT from federal funds, and approximately \$13 million from other sources. The Bank will receive reimbursements over a 25-year period from the SCDOT in the amount of \$200 million and from Charleston County in the amount of \$75 million. In addition, the State Ports Authority will contribute \$45 million to the project. The bridge was opened to traffic in July 2005.

*Lexington County Project* - Total Lexington County Project costs are estimated to be \$125 million. Funding for the Lexington County Project consists of a \$48 million contribution by the Bank, a \$6 million contribution by the SCDOT, a \$10 million loan to SCDOT a \$2 million in-kind contribution by Lexington County and a \$59 million contribution by SCE&G. Construction on the project is underway.

*Upstate GRID Project (Anderson, Greenville and Spartanburg Counties)* - The Upstate GRID Project consists of fourteen component projects which have a total estimated cost of \$617 million. Funding for the Upstate GRID Project consists of a \$406 million contribution by the Bank and a \$211 million contribution by Anderson, Greenville and Spartanburg Counties. Anderson, Greenville and Spartanburg Counties, the SCDOT and the Bank have executed an Intergovernmental Agreement and construction on most of the projects is complete.

*York County Project* - The York County Project consists of three component projects and the York County Sales Tax Project. Total project costs were estimated at \$257 million. Funding for the York County Project consists of a \$158 million contribution by the Bank and a \$99 million contribution by York County. Two of the component projects are complete and construction is underway on others. During fiscal year 2006, the Bank increased the funding of the York County Project by \$18.8 million to increase assistance to the county for its projects funded by a capital project sales tax.

*Aiken County Project* - The Aiken County Project consists of construction of a new bridge over the Savannah River and a new route as an extension into South Carolina of I-520. Total project costs were estimated at \$198 million funded by a contribution from the State of Georgia for one-half of the cost of the new bridge, a contribution from Aiken County in the amount of \$15 million, a \$2 million contribution by SCDOT and \$165 million from the Bank. The first phase of the project was complete in June 2004. Construction costs have escalated on the second phase and during fiscal year 2006, the Bank approved an additional \$30 million in financial assistance.

*Median Barrier Project* - The Median Barrier Project is a statewide project with an approved cost of \$34 million. Funding for the Barrier Project consists of a \$30 million contribution by the Bank and a \$4 million contribution by the SCDOT. The SCTIB and the SCDOT have executed an Intergovernmental Agreement and installation of the barriers is continuing. Since the cable median barrier installation began, there have been over 10,000 hits on the median barriers. The barriers have prevented many potential cross-over accidents presumably saving numerous lives.

Additional financial assistance approvals during FY2006 are detailed below. In addition to the approvals below, the above descriptions included \$18.8 million to the York County project, \$30 million to the Aiken County Project, \$25 million to the Horry County RIDE II Project, and \$32 million in the form of a loan to SCDOT for the Beaufort, Horry, and Lexington County projects approved by the Bank during FY2006.

*Florence County Project* - Total Florence County Project costs are estimated to be \$375 million. Funding for the Florence County Project consists of a \$250 million contribution by the Bank and \$125 million contribution by Florence County. The funding is contingent, among other things, on Florence County imposing a local one-cent sales tax authorized by South Carolina Capital Projects

Sales Tax Act. This sales tax may not be imposed unless it is first approved in a countywide referendum which is proposed to be held in November 2006.

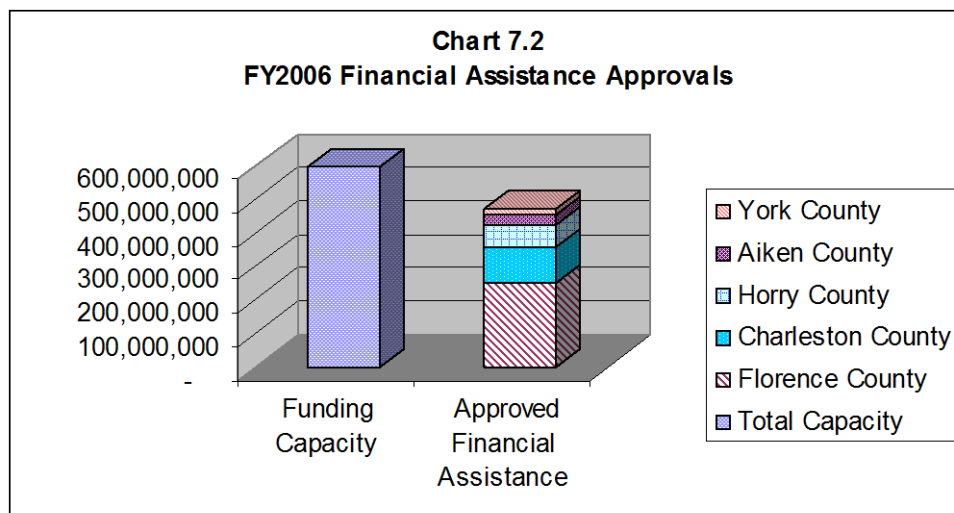
*Cooper River Bridges Demolition Project* – The Bank provided a loan to SCDOT in the amount of \$62.1 million for the cost of demolition of the old Cooper River Bridges. As of June 30, 2006, the Bank had expended \$41.9 million for this project.

*2006 Charleston County Project* – In June 2006, the Bank approved the Extension of the Mark Clark Expressway and the I-520/US 17 intersection improvement in Mount Pleasant as projects qualified for financial assistance from the Bank. The Bank approved initial funding for these projects in the amount of \$106 million to begin engineering work and acquire rights of way. The county's local match is from a transportation sales tax in place.

*2006 Horry County Project* - In June 2006, the Bank approved the southern extension of the Carolina Bays Parkway and widening of SC 707 as projects qualified for financial assistance from the Bank. The Bank approved initial funding for these projects in the amount of \$40 million to begin engineering work and acquire rights of way. The funding is contingent on Horry County imposing a local one-cent sales tax authorized by South Carolina Capital Projects Sales Tax Act. This sales tax may not be imposed unless it is first approved in a countywide referendum which is proposed to be held in November 2006.

*US 17 Widening Project* – In June 2006, the Bank approved financial assistance in the form of a loan to SCDOT for widening of the southern section of US 17 in Beaufort County. The amount approved for the loan is not to exceed \$93 million.

Chart 7.2 shows approved financial assistance during FY2006 from increased capacity. The loan to SCDOT for the Cooper River Bridge Demolition, Beaufort County, Horry County, and Lexington County projects is not included in the chart below. Also, financial assistance to the US17 project is not included on the chart, because it is in the form of a loan and does not affect the Bank's capacity.



As established by the contents of this report, the Bank has been extremely successful in the nine years of its existence in accelerating the construction of the state's largest highway projects and improving the safety of the motoring public. This success is due in large part to the foresight of the General Assembly in providing the Bank with flexibility in financing options, appropriating significant initial recurring revenues for its use, providing additional revenue sources, and requiring that preference be given by it to projects with local financial support. These factors together with the innovative financing options implemented by the Bank Board have allowed the Bank to maximize the use of its revenues. However, other major highway project needs exist or are quickly developing due to our state's growing population and increasing traffic. During fiscal year 2006, the Bank used its competitive application process to determine which applications for financial assistance were for qualified projects and the amount and type of financial assistance provided. The amount requested by the various applicants significantly exceeded the financing capacity available. If additional funding is provided to the Bank, it will continue to maximize the investment in the state's transportation system.